

Nestlé nine-month sales: 3.3% organic growth, 2.5% real internal growth | Full-year outlook: organic growth around 3.5% with margin improvement



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- Total sales of CHF 65.5 billion, up 1.0%
- 3.3% organic growth, 2.5% real internal growth, 0.8% pricing
- For the full year 2016 we expect organic growth of around 3.5%, improvements in margins and underlying earnings per share in constant currencies, and increased capital efficiency

Paul Bulcke, Nestlé CEO : “In an environment marked by deflation and low raw material prices, we continued to privilege volume growth, resulting in real internal growth at the higher end of the industry in both emerging and developed markets. Pricing remained soft but increasing.

Our growth was broad-based across categories, allowing us to gain or maintain market share in most of our businesses. We are making progress in addressing our challenges and driving our different initiatives amidst a generally softer trading environment.

In line with our strategy we continue to invest for the future. We maintain a high level of brand support while building our innovation pipeline, both globally and locally. At the same time, we drive more operational and structural efficiencies by standardizing, sharing and scaling more activities above market.

For the full year 2016, considering the current softer environment, we expect organic growth of around 3.5%, improvements in margins and

underlying earnings per share in constant currencies, and increased capital efficiency.”

- Sales of CHF 65.5 billion, with a foreign exchange impact of -1.7%. The net result of acquisitions and divestitures impacted sales growth by -0.6%.
- Organic growth was 3.3%, composed of 2.5% real internal growth and 0.8% pricing. All geographies delivered positive growth in generally subdued trading environments.
- 4.8% in the Americas (AMS)
- 2.1% in Europe, Middle East and North Africa (EMENA)
- 2.5% in Asia, Oceania and sub-Saharan Africa (AOA)
- Real internal growth was broad based across geographies and categories.
- We continued to grow both in developed markets with organic growth of 1.9% (real internal growth of 2.5%) and in emerging markets with 5.3% (real internal growth of 2.5%).
- Pricing showed some pick-up but remained soft.
- We gained or maintained market share in close to 60% of our businesses.
- Effective January 2017, Nestlé Professional is moving from a globally-managed business to regionally managed businesses integrated in the Zones and supported by a Nestlé Professional Strategic Business Unit. This will facilitate greater focus on customers and enhance alignment and execution in each region and market.
- In early October we completed the transaction with R&R to create Froneri, a new joint venture in ice cream, frozen food and chilled dairy, combining activities in Europe, the Middle East (excluding Israel), Argentina, Australia, Brazil, the Philippines and South Africa.

Sales of CHF 18.8 billion, 4.5% organic growth, 1.6% real internal growth

- In North America growth was driven by Coffee-mate and petcare as

well as Lean Cuisine and Stouffer's which continued to do well with ongoing product innovation and brand support, especially single-serve meals and the Fit Kitchen platform. Lean Cuisine and Stouffer's as well as Nestlé USA overall continued to gain market share. Canada delivered solid growth with chocolate and ice cream the highlights.

- Overall Latin America delivered good growth driven by Mexico across dairy, Nescafé and confectionery. The Plata region as well as Colombia did well, and petcare remained a key growth contributor across Latin America. Growth in Brazil was resilient but affected by necessary price increases, particularly in dairy and confectionery.

Sales of CHF 12.2 billion, 2.2% organic growth, 2.7% real internal growth

- The growth momentum is based on real internal growth which drove market share gains across the Zone. Most countries and categories grew well.

- Western Europe continued to deliver positive growth despite the deflationary environment. Nescafé Dolce Gusto, petcare and frozen pizza were the main growth drivers again. Italy and the Iberian region were the highlights.

- In Central and Eastern Europe Russia delivered double-digit growth. Nescafé and petcare were the main contributors in the region. Romania, Hungary and the Czech Republic also contributed to good results.

- In the Middle East and North Africa growth was driven by Nescafé and ambient culinary. Turkey grew double digit again with Nescafé and confectionery doing particularly well and North Africa also contributed positively. In the Middle East, however, instability continued to affect our business.

Sales of CHF 10.6 billion, 2.8% organic growth, 2.7% real internal growth

- The majority of the Zone's businesses saw good, sustainable growth and market share momentum. South East Asia with the Philippines, Indonesia and Vietnam showed strong growth. Sub-Saharan Africa also did well, growing despite continued economic volatility. The sustained recovery of Maggi noodles in India was also encouraging.

Yinlu in China, as expected, continued to weigh on the Zone's performance.

- In China the environment remained challenging in the food and beverage category. Within this context Yinlu continued to have a negative impact on Zone performance as we worked on our turnaround initiatives. However, we maintained positive momentum in Nescafé, both soluble and ready-to-drink, as well as confectionery wafers.

- India grew strongly as the Maggi noodles business continued to gain back market share and comparatives turned favourable. Chocolate, driven by KitKat, also did well.

- South East Asia delivered high single-digit growth and most markets performed well with Vietnam and Indonesia delivering double-digit growth led by a strong performance of Milo. The Philippines grew high single-digit, driven by Nescafé and Bear Brand.

- Sub-Saharan Africa continued to grow well across all categories, especially with Maggi. Nigeria, Ghana and the Ivory Coast remained the highlights.

- In developed markets, Japan's solid growth continued to build on product and business model innovation around Nescafé and KitKat, while competitive intensity amongst retailers impacted results in Oceania.

Sales of CHF 6.1 billion, 4.2% organic growth, 4.4% real internal growth

- Nestlé Waters maintained good momentum, driven by strong growth in emerging markets as well as in developed markets with good results in both the US and Europe.

- Across the business, international premium sparkling brands S.Pellegrino and Perrier continued to drive performance. There was sustained good growth in Nestlé Pure Life and strong contributions from iconic local brands such as Poland Spring in the US, Buxton in the UK, and Sta.María in Mexico.

Sales of CHF 7.7 billion, 1.3% organic growth, 0.8% real internal growth

- Nestlé Nutrition maintained modest growth in the context of changed category dynamics, especially in China where negative pricing and inventory adjustments ahead of new regulation caused category growth to stall. Despite this, the performance of our super premium brand illuma remained solid with double-digit organic growth.

- In the US, the transition to new packaging formats and temporary supply constraints weighed on organic growth but these issues are now largely resolved.

- The Middle East was impacted by political instability causing supply constraints while there was solid growth across other markets in Latin America and Asia, with Brazil, Mexico, the Philippines and Indonesia the highlights.

Sales of CHF 10.1 billion, 4.6% organic growth, 4.0% real internal growth

- Growth in Nestlé Professional was driven by emerging markets, particularly China, Russia and Mexico. The US maintained its solid performance despite pricing pressure, whilst Canada and Western European markets were more challenged.

- Nespresso maintained good growth with strong momentum in AMS and AOA and with a solid performance in EMENA. Following the success of the VertuoLine system in North America, it will be launched in France this month. Nespresso's ongoing geographic expansion continued during the period with the opening of 21 new boutiques across the world.

- Nestlé Health Science delivered good growth, with double-digit growth in Consumer Care thanks to strong performances of Boost and Carnation Breakfast Essentials in the US, as well as the continued roll-out of Meritene in Europe. Good growth in Medical Nutrition was driven by the allergy portfolio, particularly in China.

- In Nestlé Skin Health the consumer business performed well fuelled by Cetaphil cleansers and moisturisers, the Cetaphil Baby line extension in the US, and Daylong sun protection in Europe. The prescription business was supported by product innovation such as Epiduo Forte (acne) and Soolantra (rosacea), while facing generic pressure on Oracea and Differin in the US.

For the full year 2016, considering the current softer environment, we expect organic growth of around 3.5%, improvements in margins and underlying earnings per share in constant currencies, and increased capital efficiency.

Nine-month sales overview 2016

By Operating Segment - Zone AMS 18'805 18'503 +4.5 +1.6 - Zone EMENA 12'155 12'023 +2.2 +2.7 - Zone AOA 10'571 10'464 +2.8 +2.7 Nestlé Waters 6'134 5'891 +4.2 +4.4 Nestlé Nutrition 7'707 7'842 +1.3 +0.8 Other businesses 10'142 10'140 +4.6 +4.0 Total Group 65'514 64'863 +3.3 +2.5 By Product Powdered and liquid beverages 14'417 13'979 +4.9 +4.1 Water 5'735 5'489 +4.7 +4.9 Milk products and ice cream 10'779 10'997 +0.9 +0.6 Nutrition and Health Science 11'022 10'854 +2.8 +2.1 Prepared dishes and cooking aids 8'812 9'084 +3.0 +2.4 Confectionery 5'929 6'152 +1.6 -1.4 Petcare 8'820 8'308 +5.5 +4.3 Total Group 65'514 64'863 +3.3 +2.5

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